

GCC IPOs: 2022 - The Year That Was...

January-2023

GCC finished 2022 as one of the few bright spots in global IPO markets

After witnessing a standout year in 2021, the GCC IPO market witnessed strong activity throughout 2022 and surpassed its previous year achievements, despite volatility in secondary markets. Total number of IPOs from the GCC jumped to 48 issuances in 2022 from 20 issuances in 2021, as per our analysis. Proceeds for 2022 from GCC issuers went up by 3.1x to USD 23.38 Bn from USD 7.52 Bn in 2021, based on data from Bloomberg and stock exchanges. IPO markets remained buoyant despite volatility in secondary market indices such as the MSCI GCC (H1-2022: +1.2%, H2-2022: -7.5%) and oil prices (H1-2022: +55.1%, H2-2022: -30.9%), as issuers remained confident of their business fundamentals, communication to the market, and investor appetite for their issuances. There were a host of other reasons why IPO markets in the region outperformed other geographies in our view such as the relative resilience and immunity to global geopolitical events such as the Ukraine-Russia war which drove passive index flows and index compiler weightings in favor of regional stock exchanges in the GCC.

Debuts of marquee UAE names catapult GCC IPO proceeds; Saudi led IPO deals numbers

Saudi Arabia maintained its leadership position for IPO issuances from the region in 2022, as 34 out of the 48 GCC IPOs debuted on either the Tadawul or the Nomu. UAE however dominated in terms of IPO proceeds and types of IPO issuances, raking in almost 59.7% of the issuance proceeds at around USD 13.96 Bn from its 11 issuances in 2022. Bulk of the issuances came from the government's mandate to bring select state-owned enterprises to UAE's stock exchanges. UAE also registered the two largest IPOs in the region in 2022 with DEWA (USD 6.1 Bn) listed on the DFM and Borouge (USD 2.0 Bn) on the ADX. The Saudi Exchange and UAE's ADX also witnessed the IPO and dual listing of Americana Restaurants on its exchanges raising a combined USD 1.8 Bn.

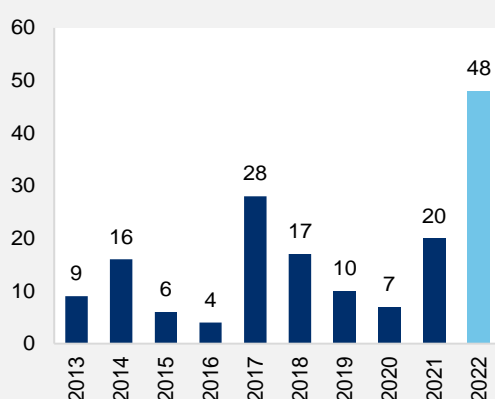
Global IPOs nose-dive 45% y-o-y in 2022

IPO markets globally plunged in 2022, after the Covid-19 vaccine rollout optimism, rebound in global economic activity, stimulus-led liquidity, and strong stock market performance pushed global IPO markets to witness its best year in 20 years in 2021. Weaker secondary market performance, valuations and interest rate hikes impacted most global IPO markets as deals dropped by 45% y-o-y to 1,333 and proceeds plunged by 61% y-o-y to USD 179.5 Bn in 2022, as per EY data.

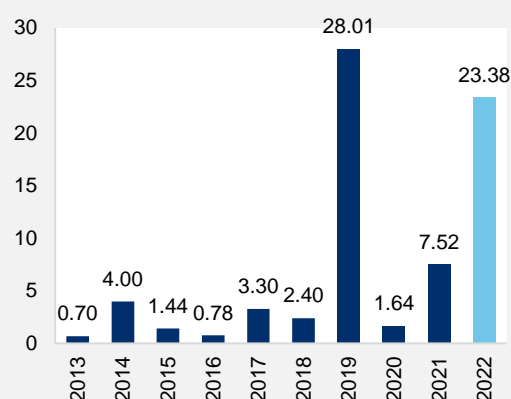
GCC IPO pipeline for 2023 remains strong, but a conducive window could be sought for

The pipeline for 2023 remains strong and based on our estimates at the start of the year the pipeline could range between 27-39 companies between announced and rumored GCC IPO issuances. While we expect the trajectory of interest rate hikes, geopolitics, secondary stock market volatility and oil price volatility to continue to remain risks in 2023, it is worth noting that the prevalence of these factors did not stop strong IPO activity in 2022. Further, the GCC will continue to generate interest for its strong idiosyncratic businesses and family office listings from international investors, given their strong competitive positioning and established reach in the market, in our view. Separately, regulators will look at the performance of the listed IPO vehicles such as SPACs and market maker funds that are aimed at improving liquidity and participation, before providing wider access to such products.

GCC IPO volumes - 2013 to 2022



GCC IPO proceeds (USD Bn) - 2013 to 2022



Source: Kamco Invest Research, Bloomberg, GCC stock exchanges

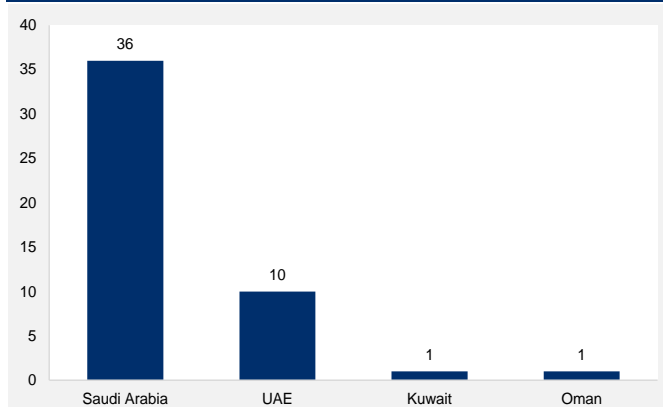
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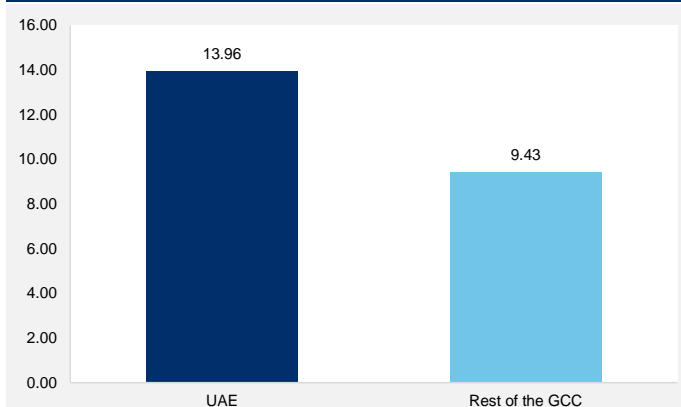
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In terms of alternate IPO structures within the GCC, ADQ, and Chimera Investment, also co-established a SPAC, ADC Acquisition Corporation PJSC (ADC), which raised a total of AED 367 Mn through an IPO. The SPAC was established for the purpose of identifying and acquiring scalable businesses with operations in the UAE and across the MENA region with strong management teams. Within Saudi Arabia, the Nomu – Parallel market dominated the number of issuances with 19 deals, as compared to 17 deals for the Main Market. In other IPOs in the region, the private placement IPO of automotive player Ali Alghanim Sons Automotive Company garnered around USD 325 Mn (KWD 99.03 Mn) and listed on Boursa Kuwait. Separately, Oman (MSX) witnessed the IPO of Barka Desalination as the company raised USD 11.38 Mn (OMR 4.38 Mn) from its public offering in Q1-2022.

GCC IPO deal numbers by country



GCC IPO deal proceeds (USD Bn)



Source: Kamco Invest Research, Bloomberg, GCC stock exchanges, Americana Restaurants included in Saudi IPO deals only to avoid double counting but proceeds are included in both ADX & Saudi Exchange

In terms of sectoral split, Materials (7) led all sectors in terms of deal numbers, across the region. Food & Beverages (6) and Utilities (4) were the other broad sectors which saw higher number of IPO forays. Technology & Software (4) and Healthcare (4) names also witnessed strong sector participation, a trend which is likely to see more regional activity in the future. Most corporates that took to primary market issuances continue to have distinct product lines and business models to peers, as seen with Ali Alghanim Sons Automotive which is the first pure-play automotive company in the region.

GCC IPO deals by sector - 2022



Source: Kamco Invest Research, Bloomberg, GCC stock exchanges

Energy trumps Tech in Global IPO proceeds

Sectoral trends witnessed a lot of shifts based on data from EY Global IPO Trends 2022, as Technology IPO deals were down over 50% to 310 deals and its market share declined by 300 bps to 23%. In terms of issuance proceeds, Technology (20%) was relegated to runner-up in terms of proceeds market share by Energy (22%), driven by mega Energy IPOs from the GCC

and IPOs of clean energy generation companies in APAC and EMEIA. Health and life sciences (160 deals, USD 17 Bn) which was the mainstay of the top 3 sectors globally based on EY data, was pushed to fourth position both in terms of deals and proceeds. Special Purpose Acquisition Companies (SPAC) IPO activity turned negative as deals and issuances proceeds declined by 77% and 90% respectively. The decline was reportedly due to a glut of SPACs yet to announce or complete a de-SPAC and face liquidation by the expiration period in the next six months and are facing redemption pressure within the backdrop of tighter market liquidity and poor secondary market performance. . Key markets that drove the IPO decline globally was mainly the Americas, according to EY, as IPO deals were down 76% y-o-y to 130, and proceeds were down 95% to USD 9.0 Bn, as the NASDAQ & NYSE exchanges witnessed similar declines in combined deal numbers (-78%), and issuance proceeds (-94%) which reached 90 IPOs and USD 8.6 Bn respectively. The APAC market which usually leads deal numbers on a yearly basis witnessed lower y-o-y declines with 845 deals (-26%), while proceeds went down to USD 120.6 Bn (-31%), as the global consultant mentioned that markets outside Mainland China and a few ASEAN countries were impacted by inflation, interest and geopolitics. They further mentioned that the EMEIA IPO market in 2022 more than halved y-o-y in terms of deal numbers which reached 358 IPOs (-53%) and issuance proceeds of USD 49.9 Bn (-55%), as the European IPO market was down over 70% y-o-y both in terms of deals and proceeds garnered.

State-owned listings and corporate issuers in the GCC will remain active in 2023

Although the IPO pipeline for the GCC in 2023 shows potential for healthy activity for primary equity issuances in 2023, the total addressable market for the number of deals is much higher than 2022 achievements, based on commentary from the region's exchanges. However, issuers are likely to look at the secondary market for more conducive entry-points in terms of market stability, valuations, and could potentially employ a wait-and-watch approach in 2023 before going ahead with their IPO plans. The region's primary equity capital markets outperformed global peers in 2022, despite mixed secondary market performances across stock exchanges, as quality IPO issuers continued to achieve significant oversubscription for their issuances. Issuers were able to showcase their unique business models, and in some cases were rewarded for their value propositions in terms of being strong dividend yield plays from stable businesses such as utilities and consumer names.

Further, there remains opportunities for corporates to explore and execute dual listing options between exchanges, as listed corporates look at improving liquidity by foreign ownership limits (FOL). Governments in the GCC remain active in both listing state-owned names to exchanges and providing additional support to private companies that are looking to execute an initial public offering. Abu Dhabi launched the AED 5 Bn Abu Dhabi IPO Fund in such an effort to strengthen the ADX, which will be reportedly overseen by the Supreme Council for Financial and Economic Affairs and managed by the Abu Dhabi Department of Economic Development (ADDED), and will invest in 5-10 private companies per year, with a focus on SMEs, and with a target ticket size of between 10%-40% of the float.

GCC IPO deals list - 2022

Issuer	Sector	Country - Exchange	Quarter	Proceeds raised (USD Mn)
Gas Arabian Services	F&B	Saudi Arabia - Nomu	Q1-2022	19.0
East Pipes Integrated Company for Industry	Materials	Saudi Arabia - Main	Q1-2022	134.6
Elm Co	Software	Saudi Arabia - Main	Q1-2022	820.2
Abu Dhabi Ports Co	Industrials	ADX	Q1-2022	1,089.9
Raoom Trading Co	Capital Goods	Saudi Arabia - Nomu	Q1-2022	21.4
Scientific & Medical Equipment House Co	Health Care (Equipment)	Saudi Arabia - Main	Q1-2022	83.3
Barka Desalination	Utilities	MSX (Oman)	Q1-2022	11.4
Al Jouf Mineral Water Bottling Co	F&B	Saudi Arabia - Nomu	Q1-2022	5.8
Arabian International Healthcare Holding Co	Health Care (Equipment)	Saudi Arabia - Nomu	Q1-2022	109.5
Al-Dawaa Medical Services Co	Food & Staples Retailing	Saudi Arabia - Main	Q1-2022	497.0
Nahdi Medical Co	Food & Staples Retailing	Saudi Arabia - Main	Q1-2022	1,364.1
Al Masane Al Kobra Mining Co	Materials	Saudi Arabia - Main	Q1-2022	333.1
Saudi Home Loans Co	Financials (Banks)	Saudi Arabia - Main	Q1-2022	160.2
Dubai Electricity & Water Authority	Utilities	DFM	Q2-2022	6,081.7
Arabian Food & Dairy Factories Co	F&B	Saudi Arabia - Nomu	Q2-2022	5.3
Ali Alghanim Sons Automotive	Automotive (Consumer Disc)	Boursa Kuwait	Q2-2022	325.0
Ladun Investment Co	Real Estate	Saudi Arabia - Nomu	Q2-2022	24.0
Amwaj International Co	Retail	Saudi Arabia - Nomu	Q2-2022	11.5
ADC Acquisition Corp	SPAC	ADX	Q2-2022	100.0
Borouge PLC	Materials	ADX	Q2-2022	2,006.6
Retal Urban Development Co	Real Estate	Saudi Arabia - Main	Q2-2022	384.5
Alamar Foods	Consumer Services	Saudi Arabia - Main	Q3-2022	326.5
TECOM Group	Real Estate	DFM	Q3-2022	454.7
Naqi Water Co	F&B	Saudi Arabia - Main	Q3-2022	110.5
Saudi Networkers Services Co Ltd	Software & Services	Saudi Arabia - Nomu	Q3-2022	28.4
International Human Resources Co	Professional Services	Saudi Arabia - Nomu	Q3-2022	4.5
Naba Alsaha Medical Services Co	Health Care (Equipment)	Saudi Arabia - Nomu	Q3-2022	21.3
Arabian Plastic Industrial Co.	Materials	Saudi Arabia - Nomu	Q3-2022	7.2
Abdulaziz and Mansour Ibrahim Albabtain Co.	F&B	Saudi Arabia - Nomu	Q3-2022	11.2
Salik Co	Industrials	DFM	Q3-2022	1,017.7
Burjeel Holdings	Healthcare	ADX	Q4-2022	300.1
Bayanat AI	Technology	ADX	Q4-2022	171.3
Emirates Central Cooling Systems Corp	Utilities	DFM	Q4-2022	724.8
Al Waha REIT Fund	REIT	Saudi Arabia - Nomu	Q4-2022	47.3
Arabian Drilling Co	Energy	Saudi Arabia - Main	Q4-2022	712.9
Perfect Presentation For Commercial Services Co	Software & Services	Saudi Arabia - Main	Q4-2022	222.3
Alinma Hospitality REIT Fund	REIT	Saudi Arabia - REITs	Q4-2022	136.5
Knowledge Tower Trading Co	Retail	Saudi Arabia - Nomu	Q4-2022	3.7
Nofoth Food Products Co	F&B	Saudi Arabia - Nomu	Q4-2022	11.5
Power & Water Utility Co for Jubail & Yanbu	Utilities	Saudi Arabia - Main	Q4-2022	897.7
Americana Restaurants International PLC *	Consumer Services	Saudi Arabia - Main & ADX	Q4-2022	1,804.1
Riyadh Cables Group Co	Capital Goods	Saudi Arabia - Main	Q4-2022	378.9
Molan Steel Company	Materials	Saudi Arabia - Nomu	Q4-2022	12.8
Taaleem Holdings	Education (Consumer Disc)	DFM	Q4-2022	204.4
Saudi Top for Trading Co	Materials	Saudi Arabia - Nomu	Q4-2022	31.2
Leen Alkhair Trading Co.	Food & Staples Retailing	Saudi Arabia - Nomu	Q4-2022	16.6
AlSaif Stores For Development & Investment Co	Retail	Saudi Arabia - Main	Q4-2022	322.4
Saudi Aramco Base Oil Co	Materials	Saudi Arabia - Main	Q4-2022	1,322.8

Source: Kamco Invest Research, Bloomberg, GCC stock exchanges, * Americana Restaurants represents a dual listing

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